

EMPLOYEE TRUST FUNDS

Budget Summary							
Fund	2014-15 Base Year Doubled	2015-17 Governor	2015-17 Jt. Finance	Joint Finance Change to:			
				Governor		Base	
				Amount	Percent	Amount	Percent
GPR	\$433,200	\$378,600	\$378,600	\$0	0.0%	- \$54,600	- 12.6%
SEG	<u>85,275,200</u>	<u>89,515,600</u>	<u>89,376,100</u>	<u>- 139,500</u>	<u>- 0.2</u>	<u>4,100,900</u>	<u>4.8</u>
TOTAL	\$85,708,400	\$89,894,200	\$89,754,700	- \$139,500	- 0.2%	\$4,046,300	4.7%

FTE Position Summary					
Fund	2014-15 Base	2016-17 Governor	2016-17 Jt. Finance	Joint Finance Change to:	
				Governor	2014-15 Base
SEG	266.20	267.20	267.20	0.00	1.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

SEG	\$3,623,200
-----	-------------

Governor/Joint Finance: Provide adjustments to the base budget totaling \$1,791,200 in 2015-16, and \$1,832,000 in 2016-17. Adjustments are for: (a) turnover reduction (-\$473,500 annually); (b) full funding of continuing position salaries and fringe benefits (\$2,208,300 annually); (c) overtime (\$45,700 annually); (d) night and weekend differential (\$72,400 annually); and (e) full funding of lease and directed moves costs (-\$61,700 in 2015-16, and -\$20,900 in 2016-17).

2. ANNUAL PAYMENTS TO ELIGIBLE EMPLOYEES IN LIEU OF HEALTH INSURANCE COVERAGE [LFB Papers 270 and 271]

Governor: Provide that full- and part-time state employees who are eligible to receive healthcare coverage, other than graduate assistants, could elect not to receive healthcare coverage and instead receive a \$2,000 annual payment if the employee makes the election: (a) on a form provided by the Department of Employee Trust Funds (ETF); and (b) within 30 days of being hired or during the annual healthcare enrollment period established by ETF. If the employee made the election within 30 days of being hired, the employee could not receive state healthcare

coverage during the calendar year in which the election was made. If the employee made the election during the annual healthcare enrollment period, the employee could not receive healthcare coverage during the succeeding calendar year.

Annual payments made to eligible employees in lieu of health insurance coverage would be paid from the appropriation account that would otherwise have been used to pay the employer contribution toward premium payments for that employee. If an employee made an election to receive this payment in lieu of health insurance coverage within 30 days of being hired, the employer would be required to prorate the \$2,000 payment according to the remaining number of months in the calendar year in which the election was made.

In a June 30, 2014, report to ETF, the Department's consulting actuary (Deloitte) estimated that the fiscal impact of providing a \$2,000 annual incentive payment to state employees to opt-out of state health insurance coverage could range from \$4 million in additional annual costs to \$18 million in additional annual savings (all funds). The Budget in Brief provides that "the budget assumes savings of \$25 million over the biennium related to containing costs in state employee health care." The administration indicates that the estimated savings are associated with measures to be adopted by the Group Insurance Board to reduce state health insurance costs, including any savings generated from state employees opting out of health insurance coverage in return for annual incentive payments. The administration's estimated savings are reflected in amounts set aside under "compensation reserves" in the 2015-17 general fund condition statement.

Joint Finance: Provide that the following state employees would be ineligible to receive a \$2,000 annual payment in lieu of health insurance coverage: (a) any state employee who opted-out of state group health insurance coverage in calendar year 2015; and (b) married state employees or state employees in a domestic partnership whose spouse or domestic partner is receiving state health insurance coverage.

3. **TRANSFER OF PROCUREMENT POSITION TO THE DEPARTMENT OF ADMINISTRATION** [LFB Paper 272]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
SEG	- 1.00	1.00	0.00

Governor: Delete \$79,400 and 1.0 position annually responsible for procurement and purchasing at ETF. Transfer the position to the Department of Administration (DOA). Provide \$79,400 annually in supplies and services funding to ETF to permit the Department to fund the costs of procurement services provided to ETF by DOA. The Executive Budget Book indicates that the position would be responsible for: (a) ETF procurement; (b) Historical Society procurement and purchasing; (c) State Fair Park Board procurement and purchasing; and (d) procurement and purchasing for agencies participating in the shared agency services pilot program. Under the shared agency services pilot program, responsibility for procurement and other administrative services would transfer from several agencies to DOA.

Specify that on the effective date of the bill, a 1.0 position and the incumbent employee holding the position in ETF who performs duties relating to procurement, as determined by the Secretary of DOA, would be transferred to DOA. Provide that the employee would have the same rights and status in DOA as he or she had at ETF immediately before the transfer. Further, provide that if the employee had obtained permanent status, he or she would not have to undergo a probationary period at DOA.

Joint Finance: Delete provision. Further, authorize ETF and its governing boards to purchase all supplies, materials, equipment, and contractual services required to carry out their responsibilities. Provide that contracts entered into by ETF or its governing boards must be signed by an individual authorized by the Secretary of ETF. Specify that ETF and its governing boards must maintain copies of all purchasing requisitions and contracts and must permit inspection and copying of these documents as required under subchapter II of Chapter 19 (General Duties of Public Officials). Require ETF and its governing boards to file all bills and statements for purchases and engagements with the Secretary of DOA, who would be required to audit and authorize payment of all such bills and statements.

Delete the authority of DOA to require ETF and its governing boards to utilize DOA procurement and purchasing services. Require DOA, upon request, to: (a) make recommendations and provide assistance to ETF and its governing boards regarding purchasing procedure; and (b) process requisitions for purchases submitted by ETF or a governing board and procure materials, supplies, equipment, and services for ETF or a governing board in accordance with the statutory purchasing procedure prescribed for executive branch agencies.

4. ACTUARIAL AUDIT AND IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

SEG	\$365,000
-----	-----------

Governor/Joint Finance: Provide \$150,000 annually in supplies and services funding to permit ETF to comply with new accounting standards issued by the Governmental Accounting Standards Board (GASB). The GASB is recognized as the official source of generally accepted accounting principles (GAAP) for state and local governments.

In addition, provide \$65,000 in one-time financing in 2015-16, to permit the Legislative Audit Bureau (LAB) pursuant to s. 13.94(1)(dc), to meet its obligation, at least once every five years, to contract for the performance of an actuarial audit of the Wisconsin retirement system. While the LAB oversees the audit, the cost of the audit is charged to ETF.

5. ADMINISTRATION OF OPTIONAL INSURANCE PLANS [LFB Paper 273]

	Governor (Chg. to Base)		Jt. Finance (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$139,500	1.00	-\$139,500	- 1.00	\$0	0.00

Governor: Provide \$65,500 in 2015-16, and \$74,000 in 2016-17 and 1.0 employee benefit plans policy advisor-advanced position annually to administer optional insurance plans on behalf of participating state employees and Wisconsin Retirement System (WRS) annuitants who elect to continue coverage upon retirement. Reduced funding in 2015-16 reflects nine months of funding for the position in the first year of the biennium.

The Group Insurance Board (GIB) may offer optional forms of insurance, in addition to group insurance plans specifically provided for in the statutes (such as group health insurance and group income continuation insurance), provided employees pay the entire premium amount. Costs associated with the position would be funded from administrative fees assessed on employees participating in the optional insurance programs.

The state is currently undertaking a project to replace various existing finance, procurement, human resource, payroll, benefits and budget information systems across state agencies with one consolidated system. The project is entitled the STAR (state transforming agency resources) project. The STAR Project team has recommended that optional benefit plans be standardized across state agencies through payroll deduction, and has requested GIB to consider this recommendation. At its November 18, 2014, meeting, GIB "approved a decision to have the GIB assume contracting responsibility with state optional insurance plan providers starting in 2016 and would require all executive branch agencies, as well as the University of Wisconsin System, the UW Hospital and Clinics Authority, and the State Courts system, to participate in the selected optional plans." While under current law individual state agencies may select which optional forms of insurance to participate in and offer to their employees (which have been approved by ETF), under the STAR project implementation the offered optional forms of insurance would be a uniform offering. The position provided in the bill would assist ETF in carrying out its new responsibilities under the recommended changes to the administration of optional forms of insurance.

Joint Finance: Delete provision.

6. CUSTOMER SERVICE STAFFING

	Funding	Positions
SEG	\$112,700	1.00

Governor/Joint Finance: Provide \$54,000 in 2015-16, and \$58,700 in 2016-17, and 1.0 benefits specialist position annually to provide increased resources to the Department to: (a) answer phone calls received by the call center; (b) process beneficiary designation forms; (c) collect member email and verify member contact information to assist in the Department's information technology (IT) upgrade; and (d) provide basic IT assistance to members calling for help as to how to navigate the Department's website. Reduced funding in 2015-16 reflects nine months of funding for the position in the first year of the biennium.

7. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE

GPR	- \$54,600
-----	------------

Governor/Joint Finance: Reduce base level funding by \$11,200 in 2015-16 and \$43,400

in 2016-17 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is \$216,600 annually.

8. ASSIGNING PUBLIC EMPLOYEE BENEFITS FOR CHILD OR FAMILY SUPPORT

Governor/Joint Finance: Provide that public employee income continuation insurance benefits and duty disability benefits administered by ETF may be assigned to pay child or family support or maintenance, or to pay back any support arrearages. Specify that the changes would first apply to benefits paid on the day after publication of the bill.

The income continuation insurance program replaces up to 75% of an employee's salary if the employee is unable to work because of sickness or injury. State employees, as well as employees of those local governments that choose to offer this benefit, may participate in the program.

Under the duty disability program, a protective occupation participant is entitled to a duty disability benefit if the employee is injured while performing his or her duty or contracts a disease as a result of his or her occupation, and the disability is likely to be permanent. In addition, the disability must either: (a) cause the person to retire from his or her position; (b) cause a reduction in pay or position or result in assignment to light duty; or (c) adversely affect the employee's promotional opportunities. Protective occupation participants include law enforcement officers, firefighters, state probation and parole officers, members of the state patrol, state motor vehicle inspectors, forest rangers, conservation workers, fire marshals, and state correctional psychiatric officers. Both state employees, as well as employees of those local governments that choose to offer this benefit, may participate in the program. [For additional information see "Children and Families -- Child Support."]

9. POSITION TRANSFER

Governor/Joint Finance: Transfer 4.0 SEG classified positions and 3.0 SEG project positions annually and the associated funding of \$632,900 SEG annually from the Department's SEG continuing automated operating system appropriation to the Department's SEG annual administration appropriation. Both appropriations are supported with administrative funding from the public employee trust fund. The transfer would consolidate all positions in the SEG annual administration appropriation.

10. GROUP INSURANCE BOARD TERM LENGTH

Governor: Provide that the six Group Insurance Board (GIB) members appointed by the Governor be appointed to four-year terms instead of the current two-year terms. Further, provide that of the six GIB members appointed by the Governor, that the following three members

appointed by the Governor would be appointed for two-year terms, expiring on May 1 of the next succeeding odd-numbered year (May 1, 2017), and their successors would then be appointed to regular four-year terms: (a) the insured participant in the Wisconsin Retirement System (WRS) who is not a teacher; (b) the insured participant in the WRS who is a teacher; and (c) the insured participant in the WRS who is a retired employee.

The eleven-member Group Insurance Board oversees the administration and the establishment of policies for the following four major insurance plans for state employees and certain local government employees: (a) group health insurance for state employees, state WRS annuitants, and employees of those local governments that choose to offer this benefit; (b) group income continuation insurance for state employees and employees of those local governments that choose to offer this benefit; (c) group life insurance benefits for state employees, state annuitants, and employees of those local governments that choose to offer this benefit; and (d) long-term care insurance for state employees and annuitants.

Five members of the Board serve ex officio as a result of the positions that they hold. These ex officio members are the Governor, the Attorney General, the Commissioner of Insurance, the Secretary of the Department of Administration, and the Director of the Office of State Employment Relations. Any of these ex officio members may appoint a designee to serve on the Board in his or her stead. The remaining six members of the Board are appointed by the Governor to two-year terms. The statutes require that at least five of the six appointees represent specific constituencies in order to ensure a diversity of views on the Board. At least one gubernatorial appointee must be an insured teacher who is a WRS participant, a second must be an insured nonteacher WRS participant, a third must be an insured local employee WRS participant, a fourth must be an insured retired WRS participant, and a fifth must be the chief executive or a member of the governing board of a local unit of government that is a participating employer in the WRS. There is no specific membership requirement for the sixth gubernatorial appointee to the Board.

Joint Finance: Delete provision as a non-fiscal policy item.

11. ANNUAL CHANGES TO THE STATE GROUP HEALTH INSURANCE PROGRAM

Joint Finance: Provide that the Group Insurance Board (GIB), in consultation with the Division of Personnel Management in DOA, must annually, by April 1, submit any proposed changes to the state group health insurance program to the Joint Committee on Employment Relations (JCOER). Specify that GIB may not implement any changes to the state group health insurance program unless approved by JCOER. Require JCOER to hold a public hearing on the proposed changes. Provide that annually, before May 1, JCOER must approve, disapprove, or approve with modifications the proposed changes and must notify the Governor of its actions. Within 10 calendar days of this notification, the Governor must approve or reject in its entirety the proposed changes approved by JCOER. Specify that a vote of six members of JCOER may override any rejection of the Governor.

Provide that notwithstanding the regular process identified above, GIB must submit

proposed changes to the state group health insurance program for the 2016 calendar year to JCOER. The Group Insurance Board must submit the proposed changes no later than 30 days after the effective date of the budget bill. The Group Insurance Board may not implement any changes to the state group health insurance program for the 2016 calendar year unless approved by JCOER. The Joint Committee on Employment Relations must hold a public hearing on the proposed changes. Specify that no later than 30 days after GIB submits the proposed changes to JCOER, JCOER must approve, disapprove, or approve with modifications the proposed changes and must notify the Governor of its actions. Within 10 calendar days of this notification, the Governor must approve or reject in its entirety the proposed changes approved by JCOER. Provide that a vote of six members of JCOER may override any rejection of the Governor.

The Joint Committee on Employment Relations is made up of the following eight members: (a) President of the Senate; (b) Senate Majority Leader; (c) Senate Minority Leader; (d) Senate Co-Chair of the Joint Committee on Finance; (e) Speaker of the Assembly; (f) Assembly Majority Leader; (g) Assembly Minority Leader; and (h) Assembly Co-Chair of the Joint Committee on Finance.

12. GROUP INSURANCE BOARD CHANGES

Joint Finance: Provide that the six members of the Group Insurance Board who are appointed by the Governor to two-year terms under current law, would now be appointed to the Board only with the advice and consent of the Senate. Provide that the terms of office of the current gubernatorial appointees to GIB would terminate on the effective date of the budget bill. Specify that the incumbent gubernatorial appointees to GIB could continue as Board members and exercise their powers and duties until a successor was appointed and qualified to assume the Board position. Further, expand the membership of GIB from 11 to 15 members and provide that the following be added as members of the Board: (a) one Representative appointed by the Speaker of the Assembly; (b) one Representative appointed by the Minority Leader of the Assembly; (c) one Senator appointed by the Majority Leader of the Senate; and (d) one Senator appointed by the Minority Leader of the Senate.

Under current law, the 11-member Group Insurance Board in the Department of Employee Trust Funds oversees the administration and the establishment of policies for four major insurance plans for state employees and certain local government employees. The four plans are: (a) group health insurance for Wisconsin Retirement System (WRS) annuitants, state employees and employees of those local governments that choose to offer this benefit; (b) group income continuation insurance for state employees and employees of those local governments that choose to offer this benefit; (c) group life insurance benefits for annuitants, state employees and employees of those local governments that choose to offer this benefit; and (d) long-term care insurance for annuitants and state employees. Five members of the Board serve ex officio as a result of the positions that they hold. These ex officio members are the Governor, the Attorney General, the Commissioner of Insurance, the Secretary of the Department of Administration, and the Director of the Office of State Employment Relations. Any of these ex officio members may appoint a designee to serve on the Board in his or her stead. The remaining six members of the Board are appointed by the Governor to two-year terms. The statutes require that at least five of the six appointees represent specific constituencies in order to ensure a diversity of views on the

Board. At least one gubernatorial appointee must be an insured teacher who is a WRS participant, a second must be an insured nonteacher WRS participant, a third must be an insured local employee WRS participant, a fourth must be an insured retired WRS participant, and a fifth must be the chief executive or a member of the governing body of a local unit of government that is a participating employer in the WRS. There is no specific requirement for the sixth gubernatorial appointee to the Board.

13. WISCONSIN RETIREMENT SYSTEM -- ELECTED OFFICIALS AND APPOINTED STATE EXECUTIVES

Joint Finance: Provide that the Employee Trust Fund Board may combine the state and local elected officials and state executives employee category and the general employee category under the Wisconsin Retirement System (WRS) for purposes of establishing annual employer and employee contribution rates to the WRS, if such a combination would be in the actuarial interest of the fund and would result in administrative efficiency. Specify that state and local elected officials and state executive employees who initially assume office or begin employment after December 31, 2016, would have a normal retirement date of 65 years of age.

The elected officials and appointed state executives category under the WRS includes legislators, constitutional officers, judges and local elected officials or persons appointed to fill an elected position. The category also includes state executive salary group (ESG) appointees. Under current law, these WRS participants have a normal retirement date of 62 years of age. General employees have a normal retirement date of 65 years of age. Normal retirement age refers to the age at which a participant may begin to receive an unrestricted regular retirement annuity under the WRS. Delaying the effective date of the normal retirement date change would permit ETF to incorporate this law change as a part of its upgrade and implementation of a new benefits administration system.

Both WRS general participants and elected official or state executive participants are required to make an employee contribution to the WRS in an amount equal to one-half of all actuarially-required contributions as approved by the Employee Trust Fund Board. Under the 2015 contribution rates, one-half of the general-participant rate is 6.8% of earnings, and one-half the executive/elected-official rate is 7.7%.

14. STAR PROJECT IMPLEMENTATION GROUP INSURANCE CHANGES

Joint Finance: Eliminate the requirement that executive branch state employees must be covered under the Wisconsin Retirement System for a period of at least six months in order to be eligible for group insurance benefits, other than health insurance.

Provide that state employees electing to receive health care coverage within 30 days of being hired, begin to receive this coverage on the first day of the month that first occurs during the 30-day election period, instead of receiving coverage effective on the first day of the month which begins on or after the date the employee's application for coverage is received by the employer. Further, provide that state employees electing to receive income continuation insurance within 30 days of initial eligibility, begin to receive this coverage on the first day of

the month that first occurs during this 30-day period, instead of receiving coverage effective on the first day of the month which begins on or after the date the employee's application for coverage is received by the employer.

Specify that state employees would now have 60 days, instead of the current 30 days, to elect income continuation coverage when initially eligible for a higher level of employer contribution towards the premium cost. For state employees other than teachers employed by the university, this coverage would be effective the following April 1. For teachers employed by the university, this coverage would be effective the first day of the month following the date of eligibility instead of the first day of the month following the date the employee's application for coverage is received by the employer.

The state is currently undertaking a project to replace various existing finance, procurement, human resource, payroll, benefits and budget information systems across state agencies with one consolidated system. The project is entitled the STAR (state transforming agency resources) project. The administration indicates that these requested group insurance changes would reduce the customization that will be required of PeopleSoft (the base information technology system for the STAR project). It is estimated that eliminating the six month waiting period for group life insurance coverage would increase state costs by \$48,000 in 2015-16, and \$96,000 in 2016-17 (all funds). These increased costs would be addressed by state agencies from base resources.